28 August 2024

Platform HG Financing Plc

Platform Housing Group's Trading Statement for the Quarter to June 2024

The following report provides a trading update for Platform Housing Group (Platform), covering unaudited financial performance, development and treasury activities.

Highlights

- Turnover growth of 14.8% to £92.3m (Jun-23: £80.4m), with 95% of revenues coming from core social housing activities (Jun-23: 94%)
- Turnover on shared ownership sales up £6.4m to £13m (Jun-23: £6.6m)
- Operating surpluses growth of 16.8% to £24.3m (Jun-23: £20.8m)
- Investing in the future - investment in existing homes up over 145%
- Arrears of 3.0% consistent with prior year (Jun-23: 3.1%)
- New £250m sustainable bond issued

At or for the quarter to 30 June	2023	2024	Change
Turnover	£80.4m	£92.3m	14.8%
Social housing lettings turnover	£68.5m	£73.8m	7.7%
Operating surplus(1)	£20.8m	£24.3m	16.8%
New homes completed	289	244	-15.6%
Investment in new homes	£57.2m	£61.9m	8.2%
Investment in existing homes(5)	£3.9m	£9.7m	147.7%
Share of turnover from social housing lettings	85.2%	80.0%	-5.2ppt
Social housing lettings margin(2)	30.9%	32.8%	+1.9ppt
Current tenant arrears(3)(4)	3.1%	3.0%	-0.3ppt
Gearing(2)(4)	44.7%	45.6%	+0.9ppt
EBITDA-MRI interest cover(2)	217%	168%	-49.0ppt

Notes
(1) Surplus excluding gains on disposal of property, plant and equipment
(2) Regulator for Social Housing Value for Money metric; for more information go to https://www.gov.uk/government/publications/value-for-money-metrics-technical-note
(3) Current tenant arrears includes all general needs tenants (this excludes shared ownership properties)
(4) Figures as at 30 June (as opposed to accumulated over the period to June)
(5) Investment in existing homes includes capital expenditure on maintenance and decarbonisation works

Elizabeth Froude, Platform's CEO commented:

"It is early in the year and as we publish these results, we walk into a new Government with housing as a key priority.

I am pleased to say that our results remain broadly consistent, with margins and surpluses both showing year on year positive trends, whilst our strategy of investing in both existing and new homes continues.
Year on year the main differences to our trading are starting with an earlier pipeline of sales reservations, putting sales ahead of where they were last year. In our areas of operation demand for affordable home ownership remains strong, which is reflected in the prices and margins being achieved.

Whilst investment in the quality and energy standards of existing homes is up the profile of the spend will increase as the year proceeds and our year end expectations on margins is comparable to last year.

We continue to keep a tight control on overheads, but also continue to invest in core technology to widen our customers choice of service channel and to give our staff improved tools to do their jobs whilst in the communities we serve.

The new Government agenda on delivering more social rented homes is very much in alignment with that of Platform, as we have always built this tenure, having completed 3,000 new social rented homes in the last 10 years, and we look forward to working with Government on enabling more to be built."

Financial review

Turnover
In the quarter to 30 June 2024 total turnover increased by 14.8% to £92.3m (Jun-23: £80.4m). This was driven by growth in social housing lettings turnover, which increased by 7.7% to £73.8m (Jun-23: £68.5m) and turnover from shared ownership first tranche sales of £13m which was approximately double the prior year figure (Jun-23: £6.6m).

Turnover from all social housing activities of £83.4m (Jun-23: £75.6m) accounted for 95% (Jun-23: 94%) of Platform's total turnover in the period.

Surpluses and margins
Operating surpluses excluding fixed assets sales of £24.3m were 16.8% higher than the prior year period (Jun-23: £20.8m) and operating surpluses including fixed asset sales increased by 17.8% to £25.2m (Jun-23: £21.4m). Surpluses from social housing lettings increased by 14.2% to £24.2m (Jun-23: £21.2m).

Operating margins were 26.3% excluding fixed asset sales (Jun-23: 25.9%), 27.3% including fixed asset sales (Jun-23: 26.6%) and 32.8% from social housing lettings (Jun-23: 30.9%). Operating surpluses and margins have been positively affected by robust turnover growth of 14.8% and controlled management cost increases (c1.5%). These movements have helped facilitate a continued commitment to additional investment in our homes, sustainability and the customer experience.

Shared ownership sales surpluses were £1.4m (Jun-23: £0.7m), representing 5.6% of total operating surplus (Jun-23: 3.3%), with associated margins of 10.8% (Jun-23: 10.6%).

Sales of fixed assets, which include subsequent staircasing sales of shared ownership homes and homes acquired under the 'right to buy' scheme, had surpluses and margins of £0.8m and 41% (Jun-23: £0.7m / 41%).

The overall net surplus after tax, which incorporates interest costs, was £12.2m in comparison to £10.8m in the prior year, driven by the increase in operating surpluses outlined above, net of an increase in net interest of £2.3m, following a £250m sustainable bond issue in April 2024.

Investment in Existing Homes
Investment in the quality and energy efficiency of existing homes continues, with investment in existing homes up over 145% in the quarter to June 2024 compared to the quarter to June 2023. This represents a good start to a year which is expected to focus on improvements to existing homes for the benefit of our customers. This planned investment in existing homes does impact the EBITDA-MRI interest cover metric, which is lower at 168% compared to Q1 last year (217%), but overall cover remains well positioned for the sector and well above Platform's target minimum (120%).

Development review

Platform's home building programme continues to produce new affordable homes for those in need across the Midlands. There were 244 new homes added in the quarter to June 2024 (Jun-23: 289). Of those completed, 30 (12%) were built for social rent, 106 (44%) for affordable rent and 108 (44%) for shared ownership. All new homes developed had an EPC rating of B or better. Development expenditures were £62m in the period (Jun-23: £57m). At 30 June 2024, Platform owned a total of 49,384 homes (Jun-23: 48,356).

The development programme has continued to benefit from an improvement in market conditions. Build cost inflation and interest rates have stabilised and there has been an increase in market activity, with more sites and opportunities coming to market. The market remains competitive as demand still out strips supply but Platform remains in a strong position in the current climate.

We continue with a customer-focused drive on quality and sustainability. Where practically possible we are implementing our Platform Standard specification on all new schemes. The specification will deliver energy enhancements and thermal efficiencies with a fabric-first approach. We are now gas free on all new development opportunities and look to incorporate solar panels to offset costs to the customer wherever possible. We are exploring delivery of Octopus's Zero Bills specification on a number of sites including our landmark Boots scheme in Nottingham.

There were 133 shared ownership sales in the quarter to June 2024 (Jun-23: 60). The number of unsold units at the end of the period was 198 (Jun-23: 166). Unsold homes have increased due to a number of schemes that were 'stock plots' acquired from developers, for which there is no pre-completion marketing time. For homes acquired in this way the average time taken to sell was five months post completion, in comparison to three months where homes in development can be marketed pre-completion. The unsold homes are being actively marketed and considered to be a timing rather than a demand issue, with robust levels of reservations persisting. Of the 198 unsold, 152 were reserved for purchase, which represents a steady improvement from March 2024 where 222 were unsold and 138 reserved.

Platform does not invest in speculative land and has no material actual or expected impairment in development sites.

Treasury review

Funding activity

Platform issued a £250m sustainable bond in April 2024. The bond has a maturity of 26 years (2050), was issued with a spread of 0.83% and coupon of 5.342%. The proceeds from the bond will be used in accordance with our Sustainable Finance Framework and allocated to projects that provide new affordable and highly energy efficient homes.

Ratings activity

Platform is rated A+ (stable outlook) by S&P and A+ (stable outlook) by Fitch. The rating with Fitch was affirmed in October 2023 and the rating with S&P affirmed in January 2024. In April 2024 the outlook for Fitch was revised from negative to stable, in line with a similar movement in the UK Sovereign rating outlook. Platform retains the highest regulatory gradings ('G1/V1'), which were affirmed following a scheduled In-depth Assessment earlier in 2024.

Debt and liquidity

Net debt was £1,478m (Jun-23: £1,327m). Net debt comprised nominal values of £1,121m in bond issues, £80m in private placements and £405m in term loan and revolving credit facilities, partially offset by cash and equivalents of £114m and non-cash accounting adjustments of £14m.

Platform's weighted average cost of finance was 3.57% (Jun-23: 3.33%).

Platform had liquidity of £620m (including undrawn committed facilities, short term investments and cash and cash equivalents), which is sufficient to meet all forecast needs until into 2026 (including the maintenance of an 18-month liquidity buffer).

Financial ratios

Platform monitors its performance against various financial ratios, including value for money metrics reported to the Regulator of Social Housing and ratios it is required to comply with under its financing arrangements.

Gearing, measured as the ratio of net debt to the net book value of housing properties, was 45.6% (Jun-23: 44.7%) and comfortably within Platform's target of maintaining gearing below 55%.

EBITDA-MRI interest cover was 168% (Jun-23: 217%). The year-on-year movement is largely driven by an increase in investment into existing homes, which was up by 148% in the quarter. The overall cover remains well above Platform's target minimum (120%).

Investor Engagement Notification

Further update calls / meetings with investors that is intended to cover performance for the year to March 2024 and quarter one results is planned in early October, subject to availability.

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